

| Federal Reserve Bank of— | Rate | Effective |
|--------------------------|------|--------------|
| Chicago | 9½ | Nov. 2, 1978 |
| St. Louis | 9½ | Do. |
| Minneapolis | 9½ | Nov. 1, 1978 |
| Kansas City | 9½ | Nov. 2, 1978 |
| Dallas | 9½ | Do. |
| San Francisco | 9½ | Do. |

2. Section 201.52 is revised to read as follows:

§ 201.52 Advances to member banks under section 10(b).

(a) The rates for advances to member banks under section 10(b) of the Federal Reserve Act are:

| Federal Reserve Bank of— | Rate | Effective |
|--------------------------|------|--------------|
| Boston | 10 | Nov. 2, 1978 |
| New York | 10 | Nov. 1, 1978 |
| Philadelphia | 10 | Nov. 2, 1978 |
| Cleveland | 10 | Do. |
| Richmond | 10 | Do. |
| Atlanta | 10 | Nov. 3, 1978 |
| Chicago | 10 | Nov. 2, 1978 |
| St. Louis | 10 | Do. |
| Minneapolis | 10 | Nov. 1, 1978 |
| Kansas City | 10 | Nov. 2, 1978 |
| Dallas | 10 | Do. |
| San Francisco | 10 | Do. |

(b) The rates for advances to member banks for prolonged periods and significant amounts under section 10(b) of the Federal Reserve Act and section 201.2(e)(2) of regulation A are:

| Federal Reserve Bank of— | Rate | Effective |
|--------------------------|------|--------------|
| Boston | 10½ | Nov. 2, 1978 |
| New York | 10½ | Nov. 1, 1978 |
| Philadelphia | 10½ | Nov. 2, 1978 |
| Cleveland | 10½ | Do. |
| Richmond | 10½ | Do. |
| Atlanta | 10½ | Nov. 3, 1978 |
| Chicago | 10½ | Nov. 2, 1978 |
| St. Louis | 10½ | Do. |
| Minneapolis | 10½ | Nov. 1, 1978 |
| Kansas City | 10½ | Nov. 2, 1978 |
| Dallas | 10½ | Do. |
| San Francisco | 10½ | Do. |

3. Section 201.53 is revised to read as follows:

§ 201.53 Advances to persons other than member banks.

The rates for advances under the last paragraph of section 13 of the Federal Reserve Act to individuals, partnerships, or corporations other than member banks secured by direct obligations of, or obligations fully guaranteed as to principal and interest by, the United States or any agency thereof are:

| Federal Reserve Bank of— | Rate | Effective |
|--------------------------|------|--------------|
| Boston | 12½ | Nov. 2, 1978 |
| New York | 12½ | Nov. 1, 1978 |
| Philadelphia | 12½ | Nov. 2, 1978 |
| Cleveland | 12½ | Do. |
| Richmond | 12½ | Do. |
| Atlanta | 12½ | Nov. 3, 1978 |
| Chicago | 12½ | Nov. 2, 1978 |
| St. Louis | 12½ | Do. |
| Minneapolis | 12½ | Nov. 1, 1978 |
| Kansas City | 12½ | Nov. 2, 1978 |

| Federal Reserve Bank of— | Rate | Effective |
|--------------------------|------|-----------|
| Dallas | 12½ | Do. |
| San Francisco | 12½ | Do. |

(12 U.S.C. 248(i). Interprets or applies 12 U.S.C. 357.)

By order of the Board of Governors,
November 8, 1978.

JOHN M. WALLACE,
Assistant Secretary
of the Board.

[FR Doc. 78-32401 Filed 11-16-78; 8:45 am]

[6210-01-M]

[Docket No. R-0189; Regulation E]

**PART 201—EXTENSIONS OF CREDIT
BY FEDERAL RESERVE BANKS**

**PART 205—PURCHASE OF
WARRANTS**

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Rescission of regulation E.

SUMMARY: The Federal Reserve System has undertaken a substantive review of its regulations and, as part of that review, has determined that regulation E, "Purchase of Warrants", which governs the purchase by Federal Reserve Banks of certain short-term obligations of State or local governments, is obsolete and should be rescinded.

EFFECTIVE DATE: November 9, 1978.

FOR FURTHER INFORMATION CONTACT:

Richard H. Puckett, Manager, Regulatory Improvement Project, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, 202-452-2751.

SUPPLEMENTARY INFORMATION: Regulation E, "Purchase of Warrants" (12 CFR Part 205), first issued by the Board in 1915, governs the purchase by Federal Reserve Banks of obligations with a maturity from the date of purchase of not exceeding 6 months issued by State or local governments in anticipation of the collection of taxes or the receipt of assured revenues (hereinafter "warrants"). Regulation E implements section 14(b) of the Federal Reserve Act ("Act"), which empowers Federal Reserve Banks to purchase "bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding 6 months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, * * * such purchases to be made in accord-

ance with rules and regulations prescribed by the Board * * *." Federal Reserve Banks have not purchased warrants pursuant to the authority of section 14(b) of the Act and regulations E since 1933. Historically, Federal Reserve Banks purchased warrants to provide liquidity to member banks or income to Federal Reserve Banks. The purpose of regulation E is to limit purchases of warrants to a relatively small proportion of a Federal Reserve Bank's resources and to assure that investments of Federal Reserve Banks are of short maturity and are self-liquidating.

In 1933, section 12A of the Act was enacted, creating the Federal Open Market Committee ("FOMC") and limiting the power of Federal Reserve Banks to purchase warrants in the open market. While Federal Reserve Banks may purchase warrants directly from State or local governments subject to regulations issued by the Board, the purchase of such obligations in the open market may only be made at the direction of the FOMC. In 1932, section 10(b) of the Act was enacted, allowing member banks to borrow against any acceptable collateral, thereby permitting the use of warrants as collateral for advances to member banks by Federal Reserve Banks at a rate of at least one-half of one percent above the basic discount rate. In 1968, section 13 of the Act was amended to permit Federal Reserve Banks to make advances to member banks at the basic discount rate secured by warrants (see 12 CFR 201.108). These statutory developments have obviated any need for Federal Reserve Banks to make direct purchases from State or local governments of such obligations.

In the unlikely event that it becomes necessary or desirable, in the absence of regulation E, for Federal Reserve Banks to purchase warrants directly from State or local governments, the underlying statutory authority empowering Federal Reserve Banks to make such purchases in accordance with rules and regulations prescribed by the Board would still exist and appropriate authorization could be given at that time by the Board.

In view of the above-mentioned statutory developments which have made use of the section 14(b) authority to purchase warrants unnecessary, the Board has decided to rescind regulation E. In this connection, the language "compliance with the requirements of regulation E is not necessary; but" in 12 CFR 201.108(d) has been deleted.

By order of the Board of Governors,
November 9, 1978.

JOHN M. WALLACE,
Assistant Secretary of the Board.

Title 12 CFR is amended as follows:
1. Part 205 is deleted in its entirety.

§ 201.108 [Amended]

2. Section 201.108(d) is amended by deleting from the second sentence the words "compliance with the requirements of regulation E is not necessary; but".

[FR Doc. 78-32414 Filed 11-16-78; 8:45 am]

[6355-01-M]

Title 16—Commercial Practices

CHAPTER II—CONSUMER PRODUCT
SAFETY COMMISSION

SUBCHAPTER B—CONSUMER PRODUCT
SAFETY ACT REGULATIONS

PART 1202—SAFETY STANDARD FOR
MATCHBOOKS

Revised Safety Standard

AGENCY: Consumer Product Safety
Commission.

ACTION: Revised-final regulation.

SUMMARY: On May 4, 1977, the Commission issued a final safety standard for matchbooks. On March 31, 1978, a Federal court of appeals set aside portions of that standard. Since the Commission has decided not to re-issue those portions or appeal the court's decision, the standard that went into effect on May 4, 1978, is different from the standard issued in May 1977. For purposes of clarity, the Commission is publishing in this document the standard, as revised to comply with the court order.

EFFECTIVE DATE: The revised standard became effective on May 4, 1978.

FOR FURTHER INFORMATION
CONTACT:

George Anikis, Office of Program
Management, Consumer Product
Safety Commission, Washington,
D.C. 20207, telephone 301-492-6453.

SUPPLEMENTARY INFORMATION: On May 4, 1977, the Commission issued in final form a consumer product safety standard applicable to matchbooks (16 CFR Part 1202; 42 FR 22656-70). This standard was to become effective on May 4, 1978.

On March 31, 1978, the U.S. Court of Appeals for the First Circuit decided two petitions for review of the Commission's matchbook standard. In one decision, *D. D. Bean & Sons, Co. v. CPSC*, 574 F. 2d 643 (1st Cir. 1978), the

court upheld certain challenged provisions, but set aside all of the "performance requirements" (§ 1202.5) contained in the standard. In the other decision, *Giglio v. CPSC*, 575 F. 2d 1 (1st Cir. 1978), the court upheld the Commission's position and no provisions in the standard were affected.

On May 4, 1978, the provisions in the matchbook standard not set aside by the court became effective. On May 11, 1978, the Commission considered some outstanding matters concerning the matchbook standard and decided:

1. The Commission would not take action to appeal the decision or to re-issue any provision set aside by the court, and

2. The Commission would discontinue its staff work on a certification rule to accompany the matchbook standard.

The performance requirements set aside by the court were accompanied in the original standard by extensive laboratory testing procedures. Like the performance requirements themselves, these procedures have been deleted from the revised standard issued below. In the absence of laboratory testing procedures, there is no need for a certification rule for matchbooks. (The rule on which the staff was working would have included an acceptable sampling plan and other guidance concerning certification by matchbook manufacturers that their products comply with the laboratory tests.)

Certification of matchbooks with the remaining "general requirements" (§ 1202.4) can be based on a visual test. Therefore, a certification rule is unnecessary and it is sufficient for manufacturers to certify matchbooks based on section 14(a) of the Consumer Product Safety Act (15 U.S.C. 2063(a)).

Under section 14(a) matchbook manufacturers must issue certificates stating that the matchbook standard applies to their products and certifying that their matchbooks comply with it. These certificates must accompany the matchbooks or be otherwise furnished to distributors or retailers to whom the matchbooks are delivered. The certification must be based on a test of each matchbook or on a reasonable testing program (the manufacturers must use their own judgments in deciding what is a reasonable testing program). There is no specific language or format for the certifications, but they must contain the name of the manufacturer (or private labeler) issuing the certificate, as well as the date and place of manufacture.

For the convenience of anyone interested in the matchbook standard, the Commission is publishing the standard in its current form below. The performance requirements set aside by the court, as well as additional provisions

that supported those requirements, have been deleted. Renumbering and other editorial changes have been made, where appropriate.

The Commission amends Title 16, Code of Federal Regulations, Chapter II, by revising part 1202 as follows:

- Sec.
1202.1 Scope and effective date.
1202.2 Findings.
1202.3 Definitions.
1202.4 Matchbook general requirements.
1202.5 Certification.
1202.6 Marking.
1202.7 Prohibited stockpiling.

AUTHORITY: Secs. 2, 3, 7, 9, 14, 16, and 19, Pub. L. 92-573, 86 Stat. 1212-17 (15 U.S.C. 2051, 2052, 2056, 2058, 2063, 2065, and 2068).

§ 1202.1 Scope and effective date.

(a) *Scope*. This part 1202, a consumer product safety standard, prescribes the safety requirements, including labeling requirements, for the matchbook. This part 1202 applies to all matchbooks manufactured in or imported into the United States after its effective date.

(b) *Effective date*. The effective date shall be May 4, 1978.

§ 1202.2 Findings.*

(a) *Risk of injury*. The Commission finds that unreasonable risks of injury from accidents are associated with matchbooks. These unreasonable risks, which this part 1202 is intended to reduce or eliminate, are:

(1) Burn injuries, sustained by children and others, including mentally or physically impaired persons, who play with or otherwise improperly use bookmatches.

(2) Burn injuries sustained by persons who use bookmatches that fragment or have delayed ignition.

(3) Eye injuries sustained by persons who use bookmatches that fragment and cause particles from such matches to lodge in a person's eye.

(4) Burn injuries sustained by persons who use bookmatches that, when struck, ignite the remaining matches in the matchbook.

(5) Burn injuries sustained by persons from fires that have resulted

*The Commission's findings apply to the matchbook standard that it published on May 4, 1977 (42 FR 22656-70). On Mar. 31, 1978, the U.S. Court of Appeals for the First Circuit set aside portions of that standard (*D. D. Bean & Sons, Co. v. CPSC*, 574 F. 2d 643). On Nov. 17, 1978, the Commission published a revised version of the standard which reflects the court's decision. However, the findings have not been revised and they are therefore not fully applicable to the revised matchbook requirements. For example, the revised standard does not address the unreasonable risk of injury of "[b]urn injuries that have been sustained by persons from fires that have been set by the afterglow of extinguished bookmatches" (§ 1202.2(a)(6)) because the court set aside the afterglow performance requirement.

from unexpected ignition of book-matches with no deliberate action by the user.

(6) Burn injuries that have been sustained by persons from fires that have been set by the afterglow of extinguished bookmatches.

(b) Products subject to this standard.

(1) The products subject to this standard are those kinds of manufactured ignition devices known as matchbooks. The matchbook consists of a group of bookmatches joined together and fastened within a cover. Although matchbooks are commonly referred to as paper matches or paper-stem matches to distinguish them from individual stick matches such as wooden stem matches packaged in boxes, all matchbooks, regardless of the materials of manufacture of the covers or of the bookmatches fastened within, are subject to this standard.

(2) Matchbooks subject to this standard can be divided into two basic categories: Resale matchbooks and special reproduction matchbooks. Resale matchbooks can be subdivided into advertising and nonadvertising matchbooks. Nonadvertising matchbooks are generally sold by large chain stores, and constitute a small portion of the total resale matchbook volume. Resale matchbooks with advertising are generally given away by tobacco shops, drug stores, vending firms, and other mass distribution outlets. Special reproduction matchbooks, characterized by their distinctive and unique cover designs, are purchased and distributed for promotional purposes by hotels, restaurants, financial institutions, and other business enterprises, and are given free to users.

(3) The Commission estimates that resale matchbooks accounted for almost 75 percent of the volume of matchbooks in 1975, or about 15 billion matchbooks, while special reproduction matchbooks accounted for just over 25 percent, or about 5.5 billion matchbooks.

(c) Effects on utility, cost, and availability. (1) The Commission finds that the public need for ignition devices which are small, portable, and can be used to provide a source of fire, is substantial since such products meet basic requirements for a source of fire to ignite tobacco products, fires, candles, or other products, and are also used for miscellaneous other purposes such as providing short term illumination. Three types of products: Matchbooks, individual stick matches, and lighters, predominantly supply the source of fire to meet these requirements.

(i) The Commission estimates that in 1976 U.S. consumers required approximately 645 billion such fire sources or "lights," as they are known, with almost 98 percent of this total required for tobacco products. In the ag-

gregate, the requirements by U.S. consumers for a source of fire has been growing at an annual rate of approximately 3 percent. Matchbooks, the products regulated in this standard, are estimated to have supplied about 65 percent of the source of lights, lighters accounted for about 25 percent, and individual stick matches (primarily wooden-stem type) accounted for the remainder.

(ii) The Commission also finds that matchbooks fulfill a need by institutions and business enterprises for a particular form of specialty advertising that is both relatively inexpensive and effective in reaching a specified audience or population segment with the advertiser's message. Various studies of matchbooks as a form of advertising have found that readership can average 3 to 15 times higher than average readership, listenership, and viewership figures from competing media such as magazines, newspapers, radio, and television, and that readership retention of the matchbook advertising message was extremely high, about 45 percent. In addition, matchbooks tend to be considerably less expensive than other forms of specialty advertising, including those competing advertising items such as address books, key cases, litterbags, and the like, which are themselves relatively inexpensive.

(2) The Commission finds that the standard will have no adverse effects on the utility that consumers derive from matchbooks. To the extent that injuries and property damage associated with the use of matchbooks is reduced or eliminated as a result of this standard, the utility of matchbooks as a source of fire will be increased.

(3) The Commission estimates that manufacturing cost increases as a direct or indirect effect of this standard will be modest for the industry as a whole. Such increases will tend to be concentrated in one-time costs to complete changeover to reverse friction, and in costs to establish and implement testing programs and certification procedures.

(i) Because some 80-90 percent of the matchbooks produced annually are given free to consumers, there is not likely to be any direct cost impact on the consumer as a result of the standard. Some proportion of increased manufacturing costs will be passed on to the institutions and business enterprises that purchase matchbooks for promotional purposes. To the extent that increases in advertising and promotional costs may be reflected in higher prices for goods and services sold by these businesses, there may be indirect cost effects on consumers. If so, such impacts would likely be small, if not imperceptible.

(ii) For the 12-20 percent of matchbooks that are purchases at retail by consumers, some proportion of any manufacturing cost increases may be passed on to the consumer. A resulting increase in retail prices for such matchbooks will be small, no more than a few cents per box of 50 matchbooks.

(4) The Commission finds that the standard will not have impacts of significant magnitude on the availability of matchbooks. Although some institutions and business enterprises may reduce their matchbook purchases or eliminate them in response to any increased price of matchbooks, the large number of such purchasers, and the large volume purchased annually, are such that curtailment of purchases by some businesses is likely to have very small effects on the total number of matchbooks available to U.S. consumers.

(d) Alternatives. (1) The Commission has considered other means of achieving the objective of the standard throughout the course of its development. Certain other more elaborate test requirements were considered and were shown to have the potential for severe adverse effects on competition and estimated to result in disruptions and dislocations of manufacturing and commercial practices. Therefore, having considered and rejected such other means of achieving the objective of the standard, the Commission has found none that would cause less disruption or dislocation of manufacturing and other commercial practices, consistent with the public health and safety than this standard.

(2) Because of competition from substitute products such as inexpensive disposable butane lighters and because of other prevailing business and economic conditions, the industry manufacturing matchbooks has been in a state of contraction in recent years. This contraction, marked by the exit of some firms and by plant closings or consolidations, is likely to continue in the future; but this will neither be the result of, nor significantly accelerated by, effects of the standard. Currently, aggressive price and service competition prevails among firms vying for customer accounts. It is anticipated that this competition for sales may increase as an indirect effect of the standard. To the extent that this occurs, there may be some disruption or dislocation of manufacturing, sales, or distribution practices in certain matchbook product categories and market segments. Marginal firms and firms producing limited product categories or for limited market segments may be affected to a greater degree than multiproduct category or multi-market firms.

(e) *Conclusion.* The Commission finds that this standard, including its effective date, is reasonably necessary to eliminate or reduce the unreasonable risks of injury associated with matchbooks and that the issuance of the standard is in the public interest.

§ 1202.3 Definitions.

In addition to the definitions given in section 3 of the Consumer Product Safety Act (15 U.S.C. 2052), the following definitions apply for the purpose of this standard:

(a) "Bookmatch" means a single splint, with a matchhead attached, that comes from a matchbook.

(b) "Bridge" means the matchhead material held in common by two or more splints.

(c) "Broken bridge" means a bridge that has become separated.

(d) "Caddy" means a package of two or more matchbooks wrapped or boxed together at a production plant.

(e) "Comb" means a piece of wood, paper, or other suitable material that has been formed into splints, that remain joined at their base, and that are designed to have matchheads attached to their tips.

(f) "Cover" means the paperboard or other suitable material that is wrapped around and fastened to the comb(s).

(g) "Friction" means the dried chemical mixture on the matchbook cover used to ignite the bookmatch.

(h) "Match" means a single splint with matchhead attached.

(i) "Matchbook" means one or more combs with matchheads attached and a cover that is wrapped around and fastened to those combs.

(j) "Matchhead" means the dried chemical mixture on the end of a splint.

(k) "Splint" means the support for the matchhead or that portion normally held when using the bookmatch.

§ 1202.4 Matchbook general requirements.

A matchbook shall meet the following general requirements:

(a) The friction shall be located on the outside back cover near the bottom of the matchbook.

(b) The cover shall remain closed without external force.

(c) No friction material shall be located on the inside of the cover where possible contact with the matchheads may occur during ordinary use.

(d) There shall be no bridge(s) or broken bridge(s).

(e) No matchhead in the matchbook shall be split, chipped, cracked, or crumbled.

(f) No portion of any matchhead shall be outside the matchbook cover when the cover is closed.

(g) No part of a staple or other assembly device for securing the cover

and combs shall be within or touching the friction area.

(h) A staple used as an assembly device for securing the cover and combs shall be fully clinched so that the ends are flattened or turned into the cover.

§ 1202.5 Certification.

Certification shall be in accordance with section 14(a) of the Consumer Product Safety Act (15 U.S.C. 2063(a)). Under this provision, manufacturers and private labelers of products subject to safety standards must certify that their products conform to the standard, based on either a test of each product or on a reasonable testing program.

§ 1202.6 Marking.

(a) The manufacturer's or private labeler's name and city or a symbol which will identify the name and city shall appear on the matchbook. In addition, every private labeler must label the matchbook with a code which enables it to identify, if requested, the manufacturer of the product.

(b) Boxes or cartons in which two or more caddies are shipped shall be marked "For safety, store in a cool, dry place."

§ 1202.7 Prohibited stockpiling.

Section 9(d)(2) of the Consumer Product Safety Act (15 U.S.C. 2058(d)(2)) authorizes the Commission to prohibit manufacturers and importers from stockpiling a product subject to a consumer product safety standard between its date of issuance and its effective date. A manufacturer or importer is in violation of Section 9(d)(2) and of this § 1202.7 if it fails to comply with the following:

(a) *Definitions.* (1) "Base period" means, at the option of the manufacturer or importer concerned, any period of 365 consecutive days beginning on or after January 1, 1973, and ending on or before December 31, 1975.

(2) "Rate of production (or importation)" means the total number of matchbooks manufactured (or imported) during a stated time period. In determining whether a matchbook was manufactured during a stated time period, the date on which the cover and combs were assembled to form a matchbook shall be used. In the event that a manufacturer currently operates a matchbook manufacturing plant that it did not operate during the base period, or that it did not operate for an entire base period, that manufacturer shall use, as the rate of production during the base period for that plant, either (i) the average daily rate of production (including nonproduction days such as Sundays, holidays, and vacations) for the part of the base

period he did operate that plant, multiplied by 365 or (ii) the rate of production during the base period of his most nearly similar matchbook manufacturing plant.

(b) *Prohibited act.* Manufacturers and importers of matchbooks, as these products are defined in § 1202.3(i), shall not manufacture or import matchbooks that do not comply with the requirements of this part 1202 between the date that this part 1202 is issued and the date that it becomes effective at a rate that is greater than the rate of production or importation during the base period plus 15 percent of that rate.

(c) *Documentation.* Manufacturers and importers shall maintain, for a period of six (6) months after the effective date specified in § 1202.1(b), appropriate documentation to be able to substantiate to the Commission that they are in compliance with the provisions of this section.

(Sec. 9, Pub. L. 92-573, 86 Stat. 1215; 15 U.S.C. 2058.)

Dated: November 13, 1978.

SADYE E. DUNN,
Secretary, Consumer
Product Safety Commission.

[FR Doc. 78-32323 Filed 11-16-78; 8:45 am]

[6355-01-M]

SUBCHAPTER E—POISON PREVENTION
PACKAGING ACT OF 1970 REGULATIONS

PART 1701—STATEMENTS OF POLICY
AND INTERPRETATION

Statement of Policy and Interpretation
Regarding Applicability of
Child-Resistant Packaging Stand-
ards to Hazardous Substances
Packaged in Large Containers

AGENCY: Consumer Product Safety Commission.

ACTION: Interpretation of regulation.

SUMMARY: The Commission issues this statement of policy and interpretation to explain that Commission requirements for child-resistant packaging do not, unless specified otherwise for a particular substance, apply to hazardous substances packaged in containers with a capacity of 5 gallons or greater. The Commission takes this position because special packaging requirements apply only to "household substances." The Commission does not generally consider substances packaged in containers of 5 gallons or more to be "household substances," as defined in the Poison Prevention Packaging Act of 1970, since they are not customarily used around the household. This statement of policy and interpretation is being issued to elimi-